

Message Text

SECRET

PAGE 01 LISBON 00363 131854Z
ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 EB-07 SS-15 AID-05 L-03
OMB-01 FRB-03 CIEP-01 CEA-01 NSC-05 NSCE-00 INR-07
INRE-00 CIAE-00 SP-02 /063 W
-----131900Z 032961 /44

O R 131758Z JAN 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC IMMEDIATE 9811
DEPT. OF TREASURY

S E C R E T LISBON 0363

E.O. 11652: GDS
TAGS: EAID, EFIN, PO
SUBJECT: FINANCIAL ASSISTANCE FOR PORTUGAL

REFS: A) LISBON 0146
B) UNNUMBERED TREASURY CABLE DATED JANUARY 6, 1977

1. ECONOMIC COUNSELOR AND I MET TODAY, JANUARY 13, WITH
MINISTER OF FINANCE MEDINA CARREIRA AND BANK OF PORTUGAL
GOVERNOR SILVA LOPES TO DISCUSS REF SUBJECT. PORTUGUESE
OFFICIALS OFFERED FOLLOWING COMMENTS ON PROPOSED DRAFT
AGREEMENT (REF B) AND RELATED MATTERS.

A. GOP OFFICIALS EXPRESSED RENEWED CONCERN OVER TWENTY
DAY LIMIT FOR RESPONSE TO USG REQUESTS FOR INFORMATION.
ALTHOUGH THEY READILY ADMITTED THAT TWENTY DAYS WOULD BE
MORE THAN SUFFICIENT TO RESPOND TO REASONABLE USG REQUESTS,
THEY FELT THAT PENALTY FOR FAILURE TO RESPOND WAS DISPRO-
PORTIONATELY SEVERE. IN ADDITION, THEY WOULD HAVE DIFFI-
CULTY PRESENTING THIS CONDITION FOR PUBLIC DISCUSSION IN
THAT IT WOULD BE INTERPRETED AS A RELECTION ON GOP INTEGRITY
AND EFFICIENTY. THEY NOTED, MOREOVER, THAT OTHER
RPROVISIONS IN THE PROPOSED AGREEMENT PROVIDE FOR BILATERAL
CONSULTATIONS EVERY THIRTY DAYS. GOP OFFICIALS REQUESTED,
THEREFORE, THAT STRICT TWENTY DAY MAXIMUM FOR RESPONSES

SECRET

SECRET

PAGE 02 LISBON 00363 131854Z

BE CHANGED TO A MORE GENERAL COMMITMENT BY GOP. THEY HAD
UNDERSTOOD AT CONSLUSION OF NEGOTIATIONS THAT THIS PROBLEM
WOULD BE RESOLVED TO THEIR SATISFACTION.

B. GOP OFFICIALS WISH TO INTRODUCE MORE FLEXIBILITY
INTO THE MONTHLY \$50 MILLION CREDIT AVAILABILITY AGAINST
FUTURE GOLD SALES. THEY WOULD, IN EFFECT, LIKE TO CARRY
OVER FROM ONE MONTH TO ANOTHER THE DIFFERENCE BETWEEN

THE AMOUNT ACTUALLY DRAWN AND THE MAXIMUM LIMIT \$50 MILLION. FOR EXAMPLE, IF THEY WERE TO DRAW ONLY \$30 MILLION IN A GIVEN MONTH, THEY WOULD LIKE TO HAVE AUTHORITY TO DRAW \$70 MILLION IN A SUBSEQUENT MONTH. THEY BELIEVE THIS FLEXIBILITY IS NECESSARY IN THAT CONDITIONS OF THE GOLD MARKET MAY PRECLUDE GOLD SALE COMMITMENTS FROM REACHING \$50 MILLION IN A GIVEN MONTH.

C. GOP OFFICIALS AGAIN REQUESTED INTRODUCTION OF AN ADDITIONAL PARAGRAPH WHICH WOULD PERMIT THEM TO DRAW AGAINST A FUTURE LOAN FROM THE COMPENSATORY FINANCING FACILITY OF THE IMF. IN THIS REGARD, THEY EMPHASIZED THAT IT WAS THE IMF TEAM CURRENTLY IN LISBON WHICH SUGGESTED THIS PROPOSAL AND WHICH REFUSED TO INITIATE DISCUSSIONS ON A POSSIBLE MULTI-TRANCHE STANDBY AGREEMENT. IN EFFECT, THE IMF TEAM SIMPLY DOES NOT BELIEVE THAT PORTUGAL CAN MEET CONDITIONS FOR A MULTI-TRANCHE STANDBY AND, THEREFORE, DOES NOT WISH TO BEGIN DISCUSSING SUCH A POSSIBILITY. GOP OFFICIALS REPORT THAT THE IMF IS INSISTING ON A 20 PERCENT DEVALUATION AND A MAXIMUM 1977 BALANCE OF PAYMENTS DEFICIT OF \$600 MILLION AS PRECONDITIONS FOR A FIRST TRANCHE AGREEMENT. FINANCE MINISTER NOTED THAT IMF REFUSAL TO DISCUSS SECOND TRANCHE COMPLETELY INVALIDATES OPTION 2.

2. SILVA LOPES REPORTED THAT HIS DISCUSSIONS WITH THE BANK FOR INTERNATIONAL SETTLEMENTS (BIS) ON OPTION 3 WERE DISCOURAGING. BIS OFFICIALS CLAIMED THAT FORWARD
SECRET

SECRET

PAGE 03 LISBON 00363 131854Z

GOLD MARKET IS VIRTUALLY NONEXISTENT IN EUROPE. FURTHERMORE, BIS REJECTED GOP OFFER TO EMPOWER IT TO MAKE GOLD SALES AT SOME SPECIFIED FUTURE DATE AT THE SPOT PRICES THEN PREVAILING. BIS OFFICIALS APPARENTLY FEAR THAT KNOWLEDGE OF PORTUGAL'S ENTRY INTO THE MARKET MIGHT DEPRESS PRICES TO THE POINT WHERE SUCH SALES WOULD BE AN EMBARRASSMENT TO BOTH THE BIS AND THE GOP. BIS OFFICIALS PROMISED TO DISCUSS THIS ISSUE WITH UNDER SECRETARY YEO AND, SUBSEQUENTLY, PROVIDE GOP WITH A FIRMER STATEMENT OF BIS DISPOSITION TO ACT AS PORTUGAL'S AGENT IN THE GOLD MARKET. THEY WERE ALSO RELUCTANT TO DISCUSS OPTION 4 WITHOUT HAVING PRIOR DISCUSSIONS WITH YEO.

3. EARLIER PRIME MINISTER HAD EXPRESSED HIS CONCERN TO AMBASSADOR THAT THESE PROBLEMS HAD SURFACED AFTER HE HAD UNDERSTOOD THAT ALL MAJOR ISSUES HAD BEEN RESOLVED. HE URGED EARLY RESOLUTION SO THAT LOAN DOCUMENTS COULD BE SIGNED NEXT WEEK.
CARLUCCI

SECRET

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, FINANCE, DIPLOMATIC DISCUSSIONS, FOREIGN ASSISTANCE, FINANCIAL PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 13-Jan-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LISBON00363
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770013-0867
Format: TEL
From: LISBON
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770156/aaaabwkw.tel
Line Count: 116
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 441705da-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: 77 LISBON 146
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3608077
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL ASSISTANCE FOR PORTUGAL
TAGS: EAID, EFIN, PO, US
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/441705da-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009